

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 EB-11 SS-20 SCEM-02 TRSE-00

COME-00 INT-08 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

OMB-01 DRC-01 SCI-06 /131 W

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R 141021Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 327

INFO CINCPAC

CINCPACREPPHIL

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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CINCPAC FOR POLAD

EO 11652: GDS

TAGS: ENRG, RP

SUBJ: PHILIPPINE CRUDE OIL SUPPLY AND PRICE SITUATION

REF: A) STATE 006708 (NOTAL); B) MANILA 285 (NOTAL)

BEGIN SUMMARY: MAKWR OIL COMPANY REPRESENTATIVES
STATE SAUDI GOVERNMENT HAS MADE ALLOCATIONS TO
PHILLIPINES
PURSUANT TO "EXEMPT" CATEGORY LIST WHICH
INCREASE DAILY CRUDE SUPPLIES FROM 4 TO 14 PERCENT
ABOVE PREVIOUSLY PLANNED LEVELS BEGINNEJG IN
JANUARY. AMOUNT ALLOCATED TO ESSO HAS BEEN REDUCED
BY QUANTITY FORMERLY CONTRACTED TO U.S. MILITARY.
GOP WILL SEEK MINIMIZE OR PREFERABLY ELIMINATE THIS
REDUCTION. UNAVAILABILITY OF CRUDE FROM GULF OIL
TO MEET FILOIL REQUIREMENTS IS CONTINUING PROBLEM
WHICH GOP SEEKING RESOLVE IN RZDEWED DIRECT APPROACH TO
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KUWAIT GOVERNMENT. OIL COMPANIES ARE NOTIFYING GOP OF

CRUDE PRICE INCREASES FROM DEC LEVEL OF \$3.60 TO
\$8.32-8.90 EFFECTIVE JANUARY 1 (PROTECT OIL COMPANY
SOURCES). END SUMMARY.

1. ESSO, CALTEX AND MOBIL REPS HAVE NOTIFIED GOP
OF INCREASED SUPPLIES OF CRUDE, MAINLY FROM SAUDI
ARABIA: AS RESULT OF SAG'S FORMALLY PLACING
PHILIPPINES ON "EXEMPT" LIST WHICH PROVIDES ALLOCATION
EQUAL TO AVERAGE JANUARY/SEPTEMBER 1973/8*58,&
94 305EMBER LIFTINGS WHICHEVER WAS GREATER.

2. ACCORDING TO ESSO REP WALLACE, SAG NOTIFIED
ARAMCO DAILY CRUDE SUPPLY FROM ESSO/EXXON TO PETROPHIL
NOW FIXED AT 28,000 BBL/DAY COMPARED TO COMPANY'S
PREVIOUS PLANMRNG FIGURE OF 24,500. SAG STATED ESSO'S
ALLOCATION WAS LOWER THAN FULL ENTITLEMENT UNDER EXEMPT
CATEGORY SINCE IT EXCLUDED AMOUNT FORMERLY CONTRACTED BY ESSO
PHILIPPINES TO USMILITARY USERS IN
PHILIPPINES. WALLACE SAID HIS CALCULATION OF FULL
ENTITLEMENT WAW 32,000 BBL/DAY AND THAT IMPLIED SAG
CALCULATION OF 4,000 BBL/DAY UNDER U.S. MILITARY
CONTRACT WAS CORRECT ORDER OF MAGNITUDE, ALTHOUGH HE
NOT AWARE HOW SAG ARRIVED AT FIGURE.

3. SUBSEQUENTLY PETROPHIL PRESIDENT VELASCO TOLD
EC/COM COUNSLEOR HE CALCULATED FULL ENTITLEMENT AT
32,700 BBL AND U. S. MILITARY CONTRACTS AT 2,00 BBL,
WITH ACTUAL DELIVERIES AT 1,500. VELASCO SAID GOP
WOULD SEEK FURTHER CLARIFICATION OF U.S. MILITARY
CALCULATION AND IF POSSIBLE RESTORATION OF FULL
ENTITILEMENT.

4. CALTEX NOTIFIED GOP NEW CRUDE SUPPLY FIGURE
58,000 BBL/DAY VICE EARLIER PLANNING FIGURE OF 56,000.
MOBIL ALLOCATION INCREASED TO 30,000 BBL/DAY FROM
27,000. SHELL SUPPLY EXPECTED REMAIN AT ABOUT
30,000 BBL ALTHOUGH FIRM INFO NOT AVAILABLE. AMOCO
SUPPLY CYRUS CRUDE EXPECTED BE UPWARD OF 25,000 BBLS/DAY.

5. WE HAVE NOTIFYIED VELASCO OF NEGATIVE RESPONSE
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FROM GULF ON CRUDE SUPPLY TO FILOIL (REF A), AND HE
SAID FILOIL PRESIDENT DEL ROSARIO IS NOW ENROUTE TO
KUWAIT TO SEEK ASSISTANCE IN CRUDE SUPPLY. INDUSTRY
SEC PATEJ O STATES FURTHER REPRESENTATIONS TO GULF MAY
BE MADE DEPENDING ON RESULTS DEL ROSARIO TRIP. VELASCO
ALSO INDICATED GOP WAS EXAMINING CRITICALLY STATUS OF
GETTY OIL, WHICH NOW ONLY MARKETING OPERATION, BRINGING
NO CRUDE INTO COUNTRY, WITH INTENT OF URGING GETTY

BRING EITHER CRUDE OR PRODUCT TO CONTRIBUTE ADDITIONAL SUPPLY TO COUNTRY.

6. WALLACE STATED HE HAS NOTIFIED GOP OF NEW BILLING PRICE OF \$8.32 FOR ARABIAN LIGHT CRUDE EFFECTIVE JAN 1 (UP FROM 3.60 DECEMBER PRICE). HE IS CONVINCED FURTHER PRICE INCREASE COMING IN FEBRUARY. HE SAID ESSO WOULD NOT SEEK RETROACTIVE ADJUSTMENT OF PRICES BASED ON DECEMBER COST INCREASES.

7. CALTEX AND MOBIL EXPECT TO NOTIFY GOP JAN 15 OF INCREASED PRICES ROUGHLY COMPARABLE TO ESSO'S, PERHAPS UP TO 8.90 IN VGSE OF CALTEX. (NOTE: WALLACE PROVIDED DETAILED SCHEDULE OF POSTED PRICES WHICH WE ASSUME IS AVAILABLE TO DEPARTMENT. WE CAN TELEGRAPH IF REQUIRED.) WALLACE MORANDUM TO GOP EXPLAINED CALCULATION OF BILLING PRICE DERIVED FROM NEWLY ANNOUNCED POSTED PRICE OF \$11.65 AND WARNED THAT IT SUBJECT TO CHANGE BASED ON PRODUCING GOVERNMENT'S PRICE AND PARTICIPATION CRUDE BUY-BACK POLICIES.

8. DECLARATION OF EXEMPT STATUS FOR PHILLIPINES

HAS BROUGHT PROSPECTIVE CRUDE SUPPLIES FOR 1974 TO AROUND 60M BBLS. THIS IS WITHIN SIGHT OF MINIMUM NEEDS BUT STILL LEAVES NO ROOM FOR GROWTH. THE FILOIL/GULF CONTRACT AND THE GETTY DEAL NOW BEING PRESSED WITH LOCAL MANAGEMENT OF THAT FIRM WOULD EFFECTIVELY COVER THE GAP.

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